

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1692-01
Bill No.: HB 744
Subject: Property, Real and Personal; Taxation and Revenue - Property; County Government
Type: Original
Date: March 9, 2011

Bill Summary: Would change the two-year reassessment cycle for real property from every other year to every six years until 2017.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Blind Pension	\$0	\$0	(Unknown) to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	(Unknown) to Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would freeze assessed valuations on real property at the value determined on Jan. 1, 2011, until Jan. 1, 2017. Generally, this proposal would prevent aggregate assessed valuations from growing, except for new construction, which could slow the growth of local revenues. However, in these unusual market conditions in which valuations may be declining, it may protect aggregate valuations from declining as well. Therefore, this proposal would have an unknown impact on local revenues, as well as the Blind Pension Fund.

Officials from the **Department of Elementary and Secondary Education** (DESE) assume there would not be an impact to the state; however, there would be a potential loss of revenue to local taxing authorities if the reassessment cycle is extended.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact to their organization.

Officials from the **State Tax Commission** (TAX) assume this proposal would not have a fiscal impact on their organization, and there would be no cost savings to the assessors. TAX officials stated that the school districts would not receive the CPI adjustment as provided in the Missouri Constitution. The taxpayers would not receive any savings should their property decrease in value during the assessment cycle.

Officials from the **City of Kansas City** (KC) assume this proposal would have a negative fiscal impact on their organization.

KC officials provided a history of the city's rate of increase in aggregate assessed value during non-reassessment and reassessment years. The average annual rate of increase in assessed value for reassessment years from 2001 through 2010 was 5.6% versus an average of 2.2% for non-reassessment years. In addition, KC officials noted that 70% of the increase in assessed valuation occurred during reassessment years.

ASSUMPTION (continued)

City of Kansas City, Missouri - Historical Assessed Valuation Increases/Decreases

Year		Reassessment	Non-reassessment
2001	Reassessment	5.9	
2002	Non-reassessment		5.6
2003	Reassessment	6.6	
2004	Non-reassessment		1.6
2005	Reassessment	9.1	
2006	Non-reassessment		2.6
2007	Reassessment	10.	
2008	Non-reassessment		1.5
2009	Reassessment	-3.5	
2010	Non-reassessment		0
	Total	28.1	11.2
	Average	5.6	2.2

Officials from the **City of Raytown** assume this proposal would have no initial impact; however, if property is not reassessed for another six years our local governments would not be able to experience the rebound in the economy which would leave us with less revenues.

Raytown officials stated that without knowing what the impact of the non-assessed increases are, it is impossible to put a price tag on exactly how much money the local governments/school districts would lose over the next six years.

ASSUMPTION (continued)

Officials from the **Parkway School District** assume this proposal would cost their organization because they would receive an inflationary adjustment every six years instead of every other year. School district officials stated that it would also affect their new construction revenues. The cost would exceed \$8 million.

Oversight assumes that local governments would be able to assess new construction since the proposal excludes new construction and improvements from temporary change to a six year reassessment cycle.

Officials from the **Special School District of St. Louis County** provided an estimate of \$2.8 million in lost revenue for FY 2014 but did not indicate how that revenue reduction was calculated.

Oversight assumes that the impact of this proposal can not be calculated since that impact would depend on future market changes in real estate valuations, and on whether local governments could adjust their levy rates to compensate for some or all of that change in market value. Oversight notes that this proposal would prevent reassessment from changing the assessed valuations of real property in the next two scheduled reassessment cycles in 2013 and 2015.

Oversight also notes that changes in assessed valuations and in local tax levy rates are subject to limitations under existing statutory provisions. The reassessment scheduled for 2013 under existing provisions would result in changes in property values for 2013. Subject to the existing limitations on changes in assessed valuations and tax levy rates, eliminating that potential change in assessed valuations could result in changes to property tax revenues for 2013 which would be collected in December 2013 (FY 2014).

For fiscal note purposes only, Oversight will include a fiscal impact for this proposal from positive unknown to negative unknown for local governments and the state Blind Pension Fund in FY 2014.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
BLIND PENSION FUND			
<u>Change in property tax revenues due to extension of reassessment cycle</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown) to Unknown</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>(Unknown) to Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
LOCAL GOVERNMENTS			
<u>Change in property tax revenues due to extension of reassessment cycle</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown) to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which own real property.

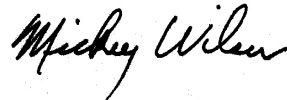
FISCAL DESCRIPTION

The proposed legislation would change the two-year reassessment cycle for real property from every other year to every six years until 2017.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
city of Kansas City
City of Raytown
Parkway School District
Special School District of St. Louis County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 9, 2011